

MEMORANDUM

TO: Commissioners Hardy, Landis, Server and Ziegner
FROM: Jerry L. Webb, Director of Water/Sewer Division
DATE: December 6, 2006
RE: Utility Articles for Next Conference

The following Final Articles A, G and Preliminary Article A are submitted to each of you to acquaint you with the tariffs eligible for action or acceptance on or after December 13, 2006.

“A” Final

The following miscellaneous item will be eligible for final consideration at the next Commission Conference and based upon a review of it by staff members of the Commission, I recommend approval.

1. Duke Energy Indiana

The Utility is proposing to limit customer participation in Rider 6.3, Optional High Efficiency Residential Service, to existing customers.

Duke Energy Indiana’s Smart Saver (or, “Smart \$aver[®]”) program currently features incentives for high efficiency heating and cooling equipment and a lower heating rate for qualifying electric heat customers. Rider 6.3 is the associated rate tariff for the lower heating rate.

Customer, builder and heating dealer participation in Smart Saver has declined since July 1, 2006 as a result of the Federal government raising the minimum efficiency standard to 13 SEER. Duke Energy Indiana is planning to minimize future participation reductions by making it easier for customers to qualify and for dealers to participate. The goal is to modify the program such that similar results can be achieved by moving to less restrictive program requirements.

The proposed change is to limit the Smart Saver reduced tariff rate, Standard Contract Rider No. 6.3 to existing customers. All existing customers on this rate will be grandfathered, so that no existing customers will be affected by the change. Given current pricing, a reduced rate is no longer needed to provide an incentive to customers for heat pump installations; rather the other incentives provided by the Smart Saver program should be sufficient to maintain customer participation.

This change decreases the cost of administering the Smart Saver program by eliminating the back-office work associated with administering the rate. These decreases will either enable Duke Energy Indiana to offer the program to more customers or will flow through to customers via Standard Contract Rider No. 66, Demand Side Management Adjustment.

The tariff sheet affected by this filing is:

Standard Contract Rider No. 6.3, Optional High Efficiency Residential Service, pages 1 and 2

"G" Final

Revisions to the Fuel Cost Adjustment factor have been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 35687 have been met and I recommend approval.

<u>Item</u>	<u>Utility</u>	<u>Change</u>	<u>Filing Number</u>
1.	Knightstown	Increase	87-06-12
2.	Straughn	Increase	111-06-12

Please indicate your consideration and action of all the preceding items on the appropriate lines provided below.

Jerry L. Webb
Director of Water/Sewer Division

I approve of all items as presented above:

I approve of all items as presented above except:

Not participating in the following items:

I, _____, Disapprove Items

No.

I, _____, Wish to Defer Items

No.

I hereby certify that the above is a true and correct copy of the action on the articles.

Brenda Howe, Executive Secretary

“A” Preliminary

The following new miscellaneous item has been reviewed by staff members of the Commission and we recommend accepting it for filing.

1. Southern Indiana Gas and Electric Company (gas)

The utility is proposing to update the Unaccounted For Gas Percentage in Appendix F. Appendix F is applicable to all Transportation Customers and Pool Operators. A percentage of the quantities received by the utility from those customers at a point of receipt on the utility's distribution system shall be retained by the utility to compensate for unaccounted for gas. This percentage ("The Unaccounted For Gas Percentage") is described in the utility's tariff as being periodically adjusted by the utility to reflect any changes in the unaccounted for gas percentage. The Commission Order that authorized this revision is Order # 42596 dated June 30, 2004. The current and proposed charges can be found below. Cost support has been provided.

TARIFF CHARGE	CURRENT	PROPOSED
<i>Appendix F Unaccounted For Gas Percentage</i>	1.6%	1.3%

The tariff pages affected by this filing include Sheet No. 35 page 1 of 1 and Tariff Sheet Index page 1 of 3.

Jerry L. Webb
Director of Water/Sewer Division